

*Militaristic Solutions in a Weak State:
Internal Security, Private Contractors, and
Political Leadership in Papua New
Guinea*

Sinclair Dinnen

In February 1997, the Australian media revealed that the Chan government planned to use mercenaries against secessionist rebels on Bougainville. These proposals precipitated the most serious political crisis in Papua New Guinea's postindependence history. Defence Force Commander Jerry Singirok openly repudiated the government's plan on 17 March, leading a military revolt that culminated in the expulsion of the mercenaries and the eventual fall of the Chan government. The private company involved in the agreement was Sandline International, at the time an obscure London-based security contractor. Sandline had sub-contracted Executive Outcomes, a well-known South Africa-based supplier of mercenaries, to conduct the Bougainville operation.¹

Singirok's revolt attracted the support of many ordinary Papua New Guineans concerned about government corruption. A commission of inquiry was convened shortly after these dramatic events. Its task was to examine the circumstances surrounding the Sandline contract. With limited time and resources, it found no evidence of corruption on the part of any of the ministers or corporate figures involved. Suspicions nevertheless lingered, and Sir Julius Chan, Defence Minister Mathias Ijape, and several of their senior colleagues lost their seats in the July 1997 elections. A second commission of inquiry, established by the new Skate government, reported in September 1998. Among other things, the second report concluded that Chan's deputy, Finance Minister Chris Haiveta, "had received corrupt and improper payment" in respect of the Sandline contract (*Independent*, 2 Oct 1998).

While the Sandline affair provides the most dramatic example to date, there have been other cases of privatized militaristic schemes in response to Papua New Guinea's internal security problems. Given the economic impact attributed to these problems, the search for solutions has been a major concern for successive governments. The country's own political leaders have been the most active proponents of militarization and the privatization of violence, in part in response to the obvious limitations of existing state security services. At the same time, ministerial initiatives in this area have often ended up aggravating the deficiencies. The national policymaking environment allows individual ministers considerable freedom in the formulation of policies and awarding of government contracts. This autonomy, in combination with an autocratic style of leadership and a search for quick-fix solutions, has had a debilitating effect on particular government agencies. An examination of militaristic initiatives in this setting illustrates the powerful reinforcing nexus that has developed between political patronage and the weakness of the postcolonial state.

THE INTERNAL SECURITY ENVIRONMENT

Papua New Guinea's "law and order" problems are relatively well known and a perennial topic of public debate. The major manifestations today are gang violence in the urban centers, banditry in some rural areas and along the major highways, so-called tribal fighting in parts of the highlands, conflicts around large-scale resource development, and election-related violence. High levels of personal insecurity are reflected in the flourishing local security industry and in the extraordinary lengths that many go to protect their persons and property.

Depictions of this state of affairs are, of course, prone to exaggeration and generalization. As one would anticipate in such a diverse environment, the overall picture is varied and uneven. Most reported violence occurs in urban enclaves and other areas of concentrated development, while the vast majority of Papua New Guineans continue to live in rural villages. Even in the "high risk" areas, the incidence of crime tends to be episodic. All the same, there is no denying the seriousness of current problems with their disproportionate impact on particular groups, notably women, and the disincentive they provide to foreign investment and economic development. Nor is there any doubt about the limited effectiveness of state controls.

The hiring of Sandline by the Chan government was a direct response to the unresolved conflict on the island of Bougainville. This conflict began in 1988 as a dispute between disaffected landowners and the Australian operators of the Panguna copper mine and quickly developed into a full-scale secessionist conflict. As well as its tragic toll in human lives and suffering, the conflict has had a significant impact on the national economy in terms of lost revenue from the mine and the expense of prolonged security operations. Prior to its closure in 1989 in the face of rebel violence, the Panguna mine accounted for 8 percent of gross domestic product, 35 percent of export earnings, and 12 percent of government revenue (Elek 1992, 63).

For Papua New Guinea's political elite, problems of order have been perceived primarily in terms of their economic repercussions. These concerns extend well beyond the Bougainville conflict. In 1991, Prime Minister Rabbie Namaliu told a national crime summit that lawlessness had the potential to do more economic damage than the Bougainville crisis and the downturn in commodity prices combined (*Australian*, 12 Feb 1991). The direct costs of crime in terms of property loss, expenditure on law enforcement, and private security have recently been estimated at 5 percent of gross domestic product annually (Levantis and Chand 1997, 4). Although difficult to evaluate, indirect costs in terms of lost investment opportunities and personal suffering are likely to be substantial.

Companies like Executive Outcomes are best known for their military services, but many also provide training for state police forces and private security services to corporate clients. Executive Outcomes was recently reported to have placed a bid for security contracts worth an estimated A\$1 million with agricultural and forest companies in South Africa to "combat crime" (*GLW*, 5 Mar 1997). Defence Systems Limited, whose mercenary past has been noted by the UN Special Rapporteur on Mercenaries (UN 1997, para 39), was contracted by the PNG government in early 1992 to train a special police unit. Distinctions between crime and political insurgency, and between the roles of civilian police and military forces, have been progressively blurred in the quest for new markets (Dinnen 1997, 112-128). Eben Barlow of Executive Outcomes explained his company's involvement in the Bougainville operation in terms of "crime problems":

[A]t the end of the day any government should have its own prerogative who is best able to help them solve certain problems. The people of Papua New

Guinea have put pressure on the government due to instability. Crime has been on the increase. The citizens have lost their basic right of private security which they no longer have, and the government deemed it necessary to have their security forces retrained in order to prevent the escalation of crime, as well as to stabilize areas where the rebels are operating. (SABC TV 1997)

Given the pervasiveness of Papua New Guinea's law and order problems, the most likely openings for international security contractors are working with state police and the private sector in the field of protective and reactive services against "crime." Some of these companies, including Defence Systems, have also expanded into the area of post-conflict reconstruction (ABC 1997), and this may provide additional opportunities in "peace" and "rehabilitation" processes such as those currently underway on Bougainville.

STATE CONTROLS

The shortcomings of Papua New Guinea's police force reflect a combination of diminishing institutional capacity and escalating demands. Coverage provided by the police at independence extended to only 10 percent of the total land area and 40 percent of the population (Dorney 1990, 296). A modest increase in the size of the force in the years since has failed to match the demands of a growing population and increasing violence. In 1975, when crime rates were relatively low, the police-population ratio stood at 1:476. By 1996, however, with crime a major concern, the ratio had slipped to 1:800 (Nenta 1996). The nation's 5,000 uniformed officers are currently responsible for policing a population of more than 4 million. This can be compared to the Australian state of New South Wales, with a similar population size, but with 13,000 officers and far more resources.

Given the shortage of government resources and the undeveloped character of Papua New Guinea's transport infrastructure (with just over half of the rural population accessible by road²), police coverage continues to be extremely uneven. Many rural areas have little, if any, permanent police presence. It is not unusual for police vehicles to be temporarily immobilized owing to lack of funds for fuel or maintenance. Serious problems of morale and discipline are other features of policing practice and have contributed to regular allegations of human rights abuses and a growing number of compensation claims in civil courts. This kind of

behavior undermines already low levels of public confidence in the police, which in turn hinders police investigations.

The deficiencies of criminal justice in general, and policing in particular, have led to an increasing reliance on emergency measures as responses to crime and social disorder. These measures have included states of emergency, curfews, and special police operations. A state of emergency allows for the suspension of constitutional freedoms and the extension of police powers and is often combined with a call-out of the defense force to assist the police. States of emergency have been imposed in response to so-called tribal fighting in the highlands provinces in 1979, gang violence in the National Capital District in 1985, and armed rebellion on Bougainville in 1989. Since 1987, it has been possible to impose a curfew without declaring a state of emergency, and curfews have since become a common strategy for dealing with urban crime waves.

These responses are aimed at restoring order in designated areas through a combination of restrictions on movement, raids against "high crime" areas (usually settlements in the urban context), and orchestrated displays of militaristic strength. Such displays belie the actual capacity of the security forces to contain disorder on any significant scale. While public order is temporarily restored, crime patterns invariably rise again once the restrictions are lifted. This cyclical pattern of escalating concern about violence followed by the imposition of a restrictive (and usually only partly implemented) "law and order package" has become a familiar one in recent years.

Resort to these blanket measures is indicative of the limitations of the constabulary in more conventional policing tasks such as detection, apprehension, and investigation. External assistance to the police has been provided by the Australian government, the nation's most significant aid donor. Substantial capacity-building effort has been directed to the beleaguered law and justice sector. Program aid to this sector amounts to 15.6 percent of Australia's total program aid to Papua New Guinea (AusAID 1996, 6).³ The largest and longest-standing component of this assistance is the Police Development Project, which since 1987 has provided advisory and training resources in a range of specialist and general policing skills.

The limitations of state policing are also reflected in the massive growth in the local security industry. A recent estimate states that there are approximately 200 registered and unregistered security companies in Papua New Guinea, employing about 10,000 staff or, put another way,

more than twice the number of uniformed state police (*Independent*, 18 April 1997). The industry is concentrated in the urban centers and offers a range of protective services. Individual companies vary in size, organization, and services offered. Clients are likewise diverse, including office complexes, businesses (large and small), banks, schools, colleges, hospitals, hotels, clubs, restaurants, supermarkets, shops, markets, and the more affluent private residences.

External assistance to the PNG constabulary has not been confined to the Australian aid program. Although the police are a national responsibility, provincial governments have often provided financial assistance and other resources to needy local forces. In 1991, for example, the Enga provincial government pledged half a million kina toward the construction of barracks for a mobile squad in the Laiagam district (*Post-Courier*, 6 Nov 1991). Just before the 1992 national elections, the premier of Simbu province presented firearms and ammunition to the provincial police commander (Standish 1994, 70). Local businesses have likewise provided support. Such actions are justified in terms of the failure of national authorities to provide sufficient resources, although they sometimes draw criticism as improper attempts to influence the police.

Government ministers have also promoted a number of schemes to improve police capacity, including the hiring of private contractors to provide specialist training. The best known example in recent years was the Rapid Deployment Unit, a special police unit designed to improve security at mining and petroleum installations in the highlands. This was an initiative of Mathias Ijape, police minister in the Namaliu administration (1988–1992). Minister Ijape won cabinet approval in early 1992 for the establishment of a Rapid Deployment Unit to be trained by a London-based security contractor, Defence Systems Limited. The chairman of Defence Systems, Alastair Morrison, visited Papua New Guinea shortly afterward for talks with senior government officials. Ijape's principal concern appeared to have been to get the construction of a base for the unit (in his own constituency of Goroka) started before the June 1992 national elections. Despite intensive lobbying by the company and Minister Ijape, lack of government funds and a change of government in June 1992 effectively scuttled Defence Systems' involvement in the Rapid Deployment Unit. A much smaller version of the proposed unit was, in fact, deployed (without Defence Systems' involvement) for several months at the highlands-based projects. Owing to lack of government funds, the new unit was largely dependent on financial and other assis-

tance (including transport, accommodation, and a per diem allowance) from the mining industry. Between April 1992 and December 1993, the mining and petroleum industry estimated that it spent approximately one million kina on sustaining the Rapid Deployment Unit—by far the single largest private contribution to state policing (Dinnen 1996). Not surprisingly, the unit attracted widespread criticism as a form of “company police.”

While the newly elected Wingti government abandoned the Rapid Deployment Unit proposal, it agreed to proceed with another special unit, the Police Tactical Force. This was based on a proposal from Defence Systems, and involved training a quick reaction force to deal with dangerous and armed criminals, hostage situations, armed raids, surveillance, protection of public figures, and to enforce the controversial Internal Security Act. Defence Systems were to be contracted for a period of two years at a total cost of K10,575,000. Once again, lack of government funds prevented implementation, and the proposal disappeared after Wingti was replaced by Sir Julius Chan as prime minister in August 1994. Mathias Ijape was appointed as Chan’s defense minister, a position he held until forced to stand down over the Sandline affair.

Despite a long history of institutional rivalry, the military and the police have worked together regularly on internal security matters, including crime control (May 1993, 35–46). Police mobile squads were also deployed on Bougainville during the secessionist conflict. Indeed, the brutal behavior of these squads turned many Bougainvilleans against Papua New Guinea in the early months of the crisis in 1988–89 (Regan 1996, 8). As well as exacerbating the shortage of police personnel in other parts of the country, the experience on Bougainville has contributed to the militarization of mainland policing, particularly in parts of the highlands (Standish 1994, 78–80). A confidential review of the Australian-funded Police Development Project leaked to the Australian press spoke of the “serious detrimental effects” that Bougainville service was having on mobile squads once they returned to mainland duties. Among the illustrations cited was the practice of mobile squad officers continuing to wear their unmarked black military uniforms during regular policing operations (*Canberra Times*, 26 Oct 1992). The joint deployment of the police and the defense force has also increased openings for private contractors by eroding traditional operational differences between these two branches of the security forces.

With the notable exception of their successful intervention to quell

a separatist rebellion on Vanuatu in 1980 (Beasant 1984), the PNG Defence Force has exhibited many of the same shortcomings as those of the police. Lack of resources, inadequate training, and poor discipline have been recurring complaints. These problems have been most apparent in the conflict with poorly equipped groups of insurgents on Bougainville. Defense force operations on Bougainville, like those of their protean adversaries, have attracted regular allegations of serious human rights abuses (Amnesty International 1993; 1997). A defense force investigation into the killing of nine soldiers and two mobile squad members at the Kangu Care Centre in September 1996 by their allies in the resistance forces⁴ concluded that the deaths were triggered by a serious breakdown in security, discipline, and morale among the PNG security personnel (*National*, 25 Oct 1996). A coronial inquiry into the murder of the premier of the Bougainville Transitional Government, Theodore Miriung, in October 1996, attributed his killing to Papua New Guinea soldiers and local resistance forces (Suntheralingam 1996). Despite this finding no action has been taken against those implicated. Such behavior helped prolong the Bougainville conflict by popularizing the secessionist cause and deepening the resolve of the rebel leadership (Regan 1996).

The defense force is also the recipient of Australian assistance through the Defence Cooperation Program. Sensitivity on the part of Australian authorities to growing domestic and international disquiet over military assistance in the Bougainville context has led to the imposition of "conditionalities" over the use of Australian-supplied equipment (eg, helicopters supplied under the program should not be used as "gunships"). These "conditionalities" caused great resentment among officials in Papua New Guinea, who viewed them as impeding the effectiveness of military operations and, more generally, as unwarranted interferences in domestic affairs.

The Sandline initiative emerged against the background of stalemate on Bougainville, a series of humiliating military setbacks (eg, the Kangu massacre), and, from the perspective of the PNG government, the unwillingness of Australia to provide adequate and "unconditional" support. On this last point, Sir Julius Chan remarked, "We have requested the Australians support us in providing the necessary specialist training and equipment. . . . They have consistently declined and therefore I had no choice but to go to the private sector" (*Independent* [UK], 13 March 1997).

MILITARISTIC SOLUTIONS

Foreign observers of the Sandline affair were shocked at the willingness of the PNG government to use mercenaries. For some time the Australian authorities had been trying to persuade their counterparts in Port Moresby that peace on Bougainville could only be achieved through a negotiated settlement between all the parties. Although the introduction of mercenaries was a new departure, the militaristic character of the Chan government's proposal came as less of a surprise to many in Papua New Guinea and other parts of Melanesia (Kabutaulaka 1997, 129–135).

The Individual and Community Rights Advocacy Forum (ICRAF), a human rights organization that campaigned against the Sandline proposal, is one of a number of local groups that have denounced the growth of “violence” and “militarization” in the country: “Violence has escalated everywhere in Papua New Guinea, and many people live in fear. What is most alarming is the increase of violence being used as a way to resolve our disputes and conflicts, as seen in the increase in tribal, domestic and state violence. This violence only perpetuates a cycle of violence and it does not really resolve anything” (ICRAF 1997, 12).

The director of this group was one of four local activists arrested in May 1997 in connection with their alleged role in opposing the Sandline initiative (*Post-Courier*, 7 May 1997; *Independent*, 9 May 1997). Veteran Bougainville parliamentarian John Momis commented at the time, “Some of us are getting sick and tired of reading about our disciplined forces engaging in a culture of violence in which confrontation and the use of brute force to maintain law and order is the norm, rather than the exception” (*Post-Courier*, 9 May 1997).

These statements echo a view shared by many students, church groups, trade unions, and nongovernment organizations that state responses to internal security problems have themselves become part of the problem. In addition to the open militarization of the Bougainville conflict, there has been the de facto normalization of emergency powers in response to violence, discussed earlier. The draconian law-and-order packages periodically announced by governments are another illustration of militaristic solutions.

Prior to recent political and financial upheavals in the region, leaders were inclined to praise the apparent success of authoritarian and mili-

taristic regimes in some of Papua New Guinea's Asian neighbors. This was to become an important element of the so-called Look North policy initially espoused by the second Wingti administration (1992-1994). Earlier, in 1991, government officials had contacted a number of private military contractors in connection with a proposed national guard. The idea was to recruit ex-Ghurkha soldiers to train a paramilitary guard that would absorb unemployed youth, instilling personal discipline and vocational skills. The controversial Internal Security Act of 1993, with its restrictions on constitutional rights, was directly inspired by repressive legislation in force in a number of neighboring countries (Dinnen 1993). Advocacy of elite police and military squads has been another feature of law-and-order policy debate. The Rapid Deployment Unit and its proposed successor, the Police Tactical Force, are cases in point. Both entailed the establishment of quick reaction, paramilitary police units aimed at suppressing localized outbreaks of "terrorism." The militaristic orientation of these units was an important part of their appeal to ministerial supporters, like the then police minister Mathias Ijape. It was also, incidentally, a major source of concern to Australian advisers attached to the Police Development Project who were attempting to transform the paramilitary character of PNG policing. The contractor in this case, Defence Systems Limited, openly traded on its military credentials. "The benefit of engaging DSL consultants in the formation and training of PTF type units is that the client is buying the United Kingdom Police/Army model—which is a proven, tried and regularly tested set of concepts and responses to violent crime and terrorism. DSL instructors bring with them operational experience that has been gained in counter-terrorist operations since 1972 in the UK and in all subsequent major incidents" (Defence Systems Limited nd, 2).

To a large extent, militarized responses to internal conflict in Papua New Guinea are a consequence of the institutional weaknesses of state agencies and their inability to secure desired outcomes by noncoercive means. Institutional incapacity has also given rise to a high degree of impunity with respect to state violence. The violence of "bits of state," like that of criminals, often goes unpunished. It is also the case, as stated earlier, that the militarization of the Bougainville conflict has had a definite "carryover" effect in terms of the management of conflict on the mainland.

The militarization of state responses cannot, however, be neatly separated from violence in the wider society. The Law Reform Commission

has documented the extent of violence against women in marital relationships (LRC 1985; 1986; 1992), while other evidence confirms high levels of violence against women in other contexts. Concern with gang crime in recent years has been as much directed at the level of violence involved as at the number of offenses. While the resurgence of so-called tribal fighting is partly a response to the inadequacies of state processes of dispute resolution, it is also about the continuing acceptance of violence as a strategy for resolving conflict in some parts of the country. The same can be said about violence in the electoral context (Strathern 1993; Standish 1996).

The masculinity of criminal violence has, to a large extent, been matched by that of state violence. Police operate in a working culture that glorifies the tough cop and celebrates adversarial relationships with criminals. Speaking on the eve of the 1985 state of emergency in the National Capital District, the police minister used the idiom of warfare to describe relations between police and criminals. "Out there at night when we are in bed there is warfare . . . between the Constabulary and the criminals. That is exactly what the situation is, when we are asleep the criminals and the police are fighting a war" (PNG 1985, 32).

Senior police officers regularly issue orders to "shoot to kill" suspected lawbreakers in high crime areas (*Post-Courier*, 24 Oct 1996). Cultural stereotypes are often used to legitimate the use of state violence against particular groups. This is most common in the highlands. In 1992, a police mobile squad officer told an Australian journalist, "Sometimes burning villages is a must. If we can have them [Highlands criminals] arrested, fine. If we can have them shot, terrific. Those guys have to be eliminated. There's no place for them in this society. In the Highlands you have to use force. It is force against force" (*Canberra Times*, 26 Oct 1992).

Against this background, it is perhaps not surprising that Papua New Guinea's political leaders have favored demonstrations of "strongman-ship" (Filer 1992, 135) in response to internal security problems. Such strategies accord with a relatively high tolerance of coercive solutions in the society at large. Proposing coercive measures is also easier than the onerous task of formulating and implementing strategies that address underlying problems. The difficulties with policy implementation, evident across all sectors of government, illustrate the limited capacity of the PNG state to sustain integrated policy initiatives. Frequent changes in personnel at ministerial and senior departmental levels can also subvert

such initiatives, resulting in a marked lack of policy continuity. This situation is further aggravated by shortage of government funds. Commenting in 1991 on the appeal of elite security units to government ministers, senior police officers observed, "No elite crack or SAS type force can disguise the need for an effective substitute for solid basic round-the-clock protective policing. It is when routine and basic policing break down or are allowed to become weakened especially through lack of resources, that the tendency grows to fill the void or gap with a tactical mobile type 'crush' response" (PNG Police Commissioner 1991).

The short duration of most national administrations in Papua New Guinea adds to the pressure for quick results. Coercive solutions offer the prospect of speedier outcomes than those likely to flow from protracted negotiations or cumbersome bureaucratic processes directed toward policies addressing underlying "causes."

An additional consideration in the Sandline affair, as with Ijape's earlier rapid deployment initiative, was the impending national elections. The resolution of the Bougainville crisis had become a major preoccupation of the Chan administration and, in particular, of Sir Julius himself. Lack of progress in negotiations with rebel leaders, military setbacks, and the looming elections, added to pressure for a resolution by whatever means possible. In his evidence to the first commission of inquiry, Sandline Director Tim Spicer stated that the time frame for the proposed Bougainville operation was largely dictated by the elections scheduled for mid-1997, with government leaders insisting that the operation be conducted before the commencement of voting in June (*Independent*, 4 April 1997). Chan clearly anticipated electoral benefits from the resolution of the Bougainville conflict, and in his view coercion provided the most viable strategy in the time available. Had Singirok not made his dramatic intervention, Chan anticipated that he might have reaped electoral rewards from a successful Sandline strike.

LEADERSHIP AND PERCEPTIONS OF CORRUPTION

While the initial focus during the Sandline crisis was on the use of mercenaries and the resulting strain in relations between Papua New Guinea and Australia, Singirok's open defiance on 17 March switched attention to the circumstances surrounding the engagement of the company. Corruption emerged as the central issue, galvanizing popular support for the military revolt and framing the subsequent course of events.

Ironically, allegations against Singirok himself were soon to topple him from his pedestal as anticorruption hero.

In opposing the Sandline project, Singirok emphasized the "improper" relations between the parties involved in the negotiations and the failure to follow established procedures. "Sandline executives . . . had direct access to the Prime Minister, ministers for Finance and Defence. Decisions are made between themselves and directions are then given to departmental heads by the ministers concerned for us to comply (*sic*). The checks and balances in our decision-making process and committee system have become mere rubber stamps in this exercise, resulting in a very expensive contract which has serious negative social, security, economic and political implications" (*Post-Courier*, 18 March 1997).

In the same statement, Singirok speculated about improprieties in Sandline's purchase of military equipment from former Eastern bloc countries. In his view, the company acquired equipment cheaply and sold it to the government at "exorbitant prices allowing the potential for sizeable percentages for commissions to all parties involved." He also drew attention to the "suspicious" presence in Hong Kong of Deputy Prime Minister Haiveta and Defence Minister Ijape, along with Tim Spicer, at the time when the first contractual installment of US\$18 million was remitted to Sandline's account in that city. Singirok later claimed that Minister Ijape had promised him he would become "a rich man" if he supported the Sandline proposal (*SMH*, 9 April 1997).

Singirok appealed to wider concerns about government corruption, inviting allegations against "dishonest leaders," and calling for public release of the findings of a number of previous investigations into "suspect" government dealings.⁵ Popular perceptions of corruption in Papua New Guinea relate to the way in which political leaders are believed to manipulate their positions to accumulate personal wealth (Larmour 1997). The privileged access to public funds granted to national politicians (often in the form of discretionary funds), in combination with the limited effectiveness of legal and administrative controls, has facilitated abuses at this level. Opportunities are greatest in the case of government ministers, given their control over departmental spending. Processes of awarding licenses and lucrative government contracts are especially vulnerable.⁶

Singirok's allegations struck a popular chord and won support from a number of unexpected quarters. In the words of the governor-general, "The termites of greed, corruption, manipulation, selfishness and abuse

of public office have reached alarming proportion. We have gone excessively beyond the tolerable levels for national forgiveness from the citizens of this country" (*Post-Courier*, 19 March 1997).

The National Intelligence Organisation voiced similar concerns in a report leaked to the local press. "What Jerry Singirok was on about was stopping the ever-growing spiral of corruption that started after Independence and has grown alarmingly with each passing year. . . . What will our country be like by the year 2000? Do we really wish to be reduced to a basket case like certain African nations or even closer to home like the Solomon Islands?" (*Post-Courier*, 14 April 1997).

The first commission of inquiry into the Sandline contract began hearing evidence on 1 April 1997. Its terms of reference were to inquire into:

- (1) The process (including negotiations and procedures) which resulted in the Independent State of Papua New Guinea entering into contractual or other arrangements with a body called Sandline International whereby overseas personnel were engaged to assist the Papua New Guinea Defence Force in dealing with the actions of the Bougainville Revolutionary Army on Bougainville Island;
- (2) The terms of the contractual or other arrangements made with Sandline International. (PNG 1997b)

The commission heard evidence from most of the main participants and key witnesses, received written submissions from a variety of sources, and conducted a short investigatory visit to Hong Kong. The final report was submitted to Acting Prime Minister John Giheno on 29 May 1997. The carefully worded conclusion stated, "There is no credible evidence to date of 'other arrangements' surrounding the engagement of Sandline International and there is no credible evidence upon which a finding of personal corruption or impropriety could be made against Sir Julius Chan, Mr Mathias Ijape, Brigadier General Singirok or against any public official of the State of Papua New Guinea" (PNG 1997b, 7.14).

Although there was "insufficient evidence upon which a finding of personal corruption" could be made against Chris Haiveta, the report cast aspersions on his evidence concerning his dealings with Sandline contacts in Hong Kong and his denial of knowledge about the substantial increase in the price of Bougainville Copper Limited (BCL) shares coinciding with his Hong Kong visit.⁷ In response to one of Singirok's key allegations, the report found that on available evidence it could not be established that

the Sandline equipment was sold to the government for "exorbitant prices" (PNG 1997b, 7.8).

Ultimately the report raised more questions than it answered. Its limitations related, in part, to the short duration of the inquiry, as well as to the sheer complexity of the issues. Many of these concerned matters originating, or leading, overseas that were not amenable to scrutiny in the time available. Dissatisfaction with the first inquiry lay behind the newly installed Skate government's decision to set up a fresh inquiry with broader terms of reference.

PROCESS ISSUES

Evidence presented to the first inquiry provides ample illustration of the autocratic style of ministerial leadership, involving the compulsion of senior government officials and routine breaches of administrative procedures. Singirok drew attention to the intense political pressure and career insecurity experienced by many senior administrators in Papua New Guinea. Explaining why he did not raise his objections to the Sandline proposal at an earlier stage, he stated, "Well, if the Deputy Prime Minister turns up at your house at midnight, discussing the thing until half past one in the morning, if the Minister for Defence is forever on your back checking, checking. . . . I was under extreme political pressure. If I had raised a question then I would have been sacked and I would not make my voice heard" (AFR, 6 June 1997).

Approval to transfer the first payment of US\$18 million to Sandline's Hong Kong account resulted from what the report described as "considerable pressure placed upon officers of the Central Bank and the Papua New Guinea Banking Corporation" (PNG 1997b, 3.52). The inquiry heard of other instances of late-night phone calls, visits, and unscheduled meetings involving senior politicians, unofficial advisers, and perplexed bureaucrats. The most influential of the unofficial advisers turned out to be a mysterious Hong Kong broker, Rupert McCowan, who had become a close associate of Finance Minister Haiveta during the earlier privatization of PNG mining and oil assets. McCowan, who was subsequently sacked by his Hong Kong employers, emerged as a key broker in the Sandline deal (AFR, 6 June 1997).

Procedural safeguards applying to government contracts were either ignored or dispensed with on grounds of urgency or national security. When the National Executive Council (the cabinet) approved the Sand-

line proposal on 15 January 1997, there was still no draft contract and the state solicitor had not been instructed to draft one or examine the legal implications of what had been approved. The usual procedure of getting the state solicitor to consider the cabinet submission in advance was not followed (PNG 1997b, 3.26). The attorney general's opinion was sought after the cabinet had already approved the contract!

The Sandline contract was prepared entirely by the company's own advisers in London. Papua New Guinea authorities appeared to have had no direct input in negotiating the terms of the agreement. Moreover, there was no examination of these terms once they became known. According to the report, "No one, on receipt of the Sandline draft contract, seems to have given any thought to having its terms checked. There had still not been any investigation carried out to verify the prices Sandline had attributed to the equipment it was supplying. Under the draft contract the State was to make an immediate payment to Sandline, in Hong Kong, of US\$18 million without receiving anything in return, and without any security or guarantee of performance on the part of Sandline" (PNG 1997b, 3.28).

When the state solicitor sought to raise some matters about the costing of the contract, Sandline's financial controller, Michael Grunberg, made it clear that the company was not prepared to reconsider any of the contract's terms (PNG 1997b, 3.42). According to Defence Secretary James Melegepa, "it was not a negotiation at all" (*National*, 30 April 1997).

The most remarkable illustration of procedural subterfuge was Minister Haiveta's imaginative scheme for paying Sandline. The vehicle chosen was a moribund company called Roadco. Haiveta initially sought to transfer funds from the proceeds of the privatization of the government's mining and oil interests to the Roadco account. He was dissuaded from this course after senior officials pointed out that the World Bank and the International Monetary Fund would regard this as a serious breach of their agreement with Papua New Guinea. Instead, Haiveta arranged to acquire funds by cutting various departmental budgets. In the government's own books, the Sandline contract appeared as the "sunk cost" of Roadco taking over the Bougainville mine through "investing" in a military operation to free the mine site (*AFR*, 6 June 1997). Needless to say, this scheme was never discussed with 54 percent shareholder in the mine, Conzinc Rio Australia-Rio Tinto Zinc. Confronted with a "technical difficulty" requiring finance ministers to tender all goods and services exceeding K500,000, Haiveta simply divided the contract into 90 nominal parcels each worth K500,000, ostensibly on legal advice. The

second Sandline inquiry criticized Haiveta's actions in this respect, viewing them as a breach of the Public Finances (Management) Act.

Other suspicions surrounded the alleged attempt to acquire a financial interest in the mine by Sandline and their shadowy associates. The second inquiry found no evidence of any arrangement between Haiveta and any other person concerning the purchase of CRA shares in Bougainville Copper Limited. The Australian Securities Commission, which was investigating dealings with BCL shares in January and February 1997, refused to disclose its findings to the inquiry. Suspicions were first raised when Sir Julius Chan announced his government's intention to buy back control of the mine at the beginning of March 1997 (*AFR*, 3 March 1997). In his evidence, Singirok claimed that Sandline was more interested in gaining a stake in Bougainville's natural resources than in resolving the conflict (*SMH*, 10 April 1997). Although Spicer publicly denied that his company was seeking mining concessions, a document signed by him and presented to the inquiry suggested a joint venture with the PNG government and Rio Tinto Zinc to operate the repossessed Panguna mine. In a letter to Defence Minister Ijape, Spicer proposed, "We may be able to assist with funding and could come to some arrangements regarding part repayment with mineral concessions" (*Independent*, 4 April 1997).

This suggestion was apparently not taken up by the PNG authorities. Counsel assisting the first inquiry claimed that "it is quite plain through the whole history of the saga that the Sandline interests had an ongoing keen interest in the mine itself and to get an interest in the mine for themselves" (*Independent*, 16 May 1997).

The same inquiry was also told how Sandline first became involved with the PNG government. In early 1996, Minister Ijape had been trying to purchase military equipment for use on Bougainville. He contacted his old acquaintance Alastair Morrison, chairman of Defence Systems. Morrison, in turn, put Ijape in touch with Tim Spicer of Sandline, another London-based contractor.

GOVERNANCE

What do these events mean for broader issues of governance in Papua New Guinea? The issue of state capacity stands out as a recurring strand in the earlier discussion. Integral to the growth of private security contractors on a global scale has been the limited capacity of many states to provide the foundation of law and order necessary to pursue economic

and other basic goals. I have already noted the significant economic costs of the Bougainville conflict and lawlessness in other parts of Papua New Guinea. Companies like Sandline, Defence Systems, and Executive Outcomes offer quick-fix solutions to internal security problems, substituting their own specialist capacities for those of the weak state. In practice, however, these interventions often end up aggravating the problems they seek to resolve.

In order to finance these initiatives, funds and other resources have to be diverted away from already weak agencies. According to the police, staffing Minister Ijape's Rapid Deployment Unit would have meant closing down four police stations in Port Moresby and four in Lae. When Defence Systems Limited proposed the Police Tactical Force in 1993 at an estimated cost of K10,575,000, the police commissioner wrote to his minister suggesting that funds at hand "should be directed towards my grossly under-funded recurrent expenditure requirements, so that the Constabulary can make good some of its current deficiencies, and improve its services to the people" (PNG Police Commissioner 1993).

The same sentiments were echoed by Singirok in the midst of the Sandline controversy, three and a half years later. "It is my professional and ethical view that it is wrong to hire Sandline International to carry out the operations on Bougainville at a price which could re-equip and boost the morale of our Security Forces who for the past nine years have managed to contain the uprising given the depleted resources, personal sacrifices and lack of funding for vital allowances and supplies from successive governments" (*Post-Courier*, 18 March 1997).

Public monies diverted for special operations such as the Sandline project inevitably cut into the recurrent budgets of government departments and aggravate capacity problems. According to local newspaper reports, a total of K6.7 million was cut from the defense budget to pay for the Sandline operation (*Post-Courier*, 28 May 1997). Two months after the suspension of the operation, the acting chief of staff complained that Sandline expenditure had left the defense force so short of funds that it was having serious difficulty feeding its troops (Radio Australia External Service, 24 May 1997).

Government agencies and services not directly involved in these schemes are also likely to be affected. In addition to its impact on the defense budget, the Sandline expenditure reportedly led to cuts of K2.5 million from the police, K2.5 million from health, and another K2 million from education. The acting finance minister, who replaced the "stood

down" Chris Haiveta, admitted that the Sandline crisis had put the national economy back by five or six years (*Post-Courier*, 12 May 1997). The International Monetary Fund and the World Bank—two of the agencies funding Papua New Guinea's structural adjustment program—were also reported to have temporarily suspended their contributions pending investigations into whether the Sandline expenditure breached program commitments (*Post-Courier*, 21 May 1997).

The Sandline case, like that of the Rapid Deployment Unit, provides a vivid example of the reinforcing dynamic between political patronage and the institutional weakness of the PNG state. A high level of ministerial autonomy and a corresponding weakness of institutional controls is evident throughout the contract "negotiations" (Regan 1997, 82–94). The politicians most directly involved treated the proposal as their own personal project, excluding other colleagues at will, intimidating senior officials, and consistently ignoring administrative procedures. Such behavior has become a major factor contributing to problems of state capacity. Ministerial initiatives are often thrust on government agencies with little, if any, prior consultation with senior managers or consideration of how they might affect existing policy programs and objectives. The frequent issuance of new directives generates frustration, resentment, and problems of morale among the public servants charged with their implementation. Overt resistance within the institutions concerned is, in most cases, suppressed owing to the power wielded by ministers over senior appointments. This pattern of relations between ministers and senior bureaucrats entrenches the dominance of the ministers by allowing for the removal of their best-informed critics, while intimidating others into passive acquiescence.

The susceptibility of weak state institutions to colonization by external actors further undermines their capacity to define and protect their own corporate interests. In this situation, agencies concerned may become little more than bystanders to struggles over their institutional control. This was certainly the case when the police were caught in the middle between Defence Systems and the Australian-funded Police Development Project over the proposed Police Tactical Force (Dinnen 1996, 196–236). It seems likely that Singirok's open mutiny in the Sandline case was also, in large part, directed against this loss of institutional control. The reinforcing aspect of this dynamic is that political patronage accentuates institutional incapacity, which invites external intervention, with further opportunities for patronage, and so on.

In the Sandline case, the defense force was already the recipient of substantial capacity-building assistance funded by the Australian government. Aid-funded assistance to coercive agencies—whether the military or the police—is a highly sensitive issue. Allegations of human rights abuses on the part of the institutions concerned can severely embarrass the donor government, and may result in the imposition of “conditionalities” of the kind mentioned. Such conditionalities, in turn, can cause great offense to recipient governments and ministers, who view them as violations of sovereignty. Recipients may then be tempted to turn to the private sector for services without strings attached. In this situation, private contractors are being consciously used to circumvent the restrictions attaching to government-to-government assistance. The irony here is that private solutions in the area of internal security can lead to even greater threats to sovereignty, as when private contractors acquire substantial ownership in strategic national mining assets.

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Notes

1 In December 1998, Executive Outcomes announced that it was ceasing business. Company officials claimed that a newfound sense of “law and order” across the African continent rendered its military services redundant. More skeptical observers attributed the company’s announcement to new legislation directed against mercenary activities enacted by the South African government (*Independent* [UK], 11 Dec 1998).

2 While just over half the rural population is accessible by road, almost 10 percent are accessible only by an unsurfaced road, likely to be impassable after rain or during the wet season. A further 9 percent are accessible only by a combination of fixed-wing aircraft and helicopter, 2 percent by fixed-wing alone, and a further 2 percent by helicopter alone (PNG 1997a, 12).

3 This compares to 12.9 percent allocated to the Health Sector, 14.1 percent to Renewable Resources, 24.8 percent to Transport and Communications, and 30 percent to Education (AusAID 1996, 6). A more detailed discussion of Australian aid to the PNG law and order sector may be found in Engel (1994).

4 The so-called resistance has been armed by the PNG government and

comprises Bougainvilleans fighting alongside the defense force against the Bougainville Revolutionary Army.

5 He also called for the release of reports of a number of ongoing investigations. These covered the purchase of an investment property in Cairns on behalf of the Public Officers Superannuation Fund, the purchase of the PNG consulate in Brisbane, the building of a new private hospital in Port Moresby, the National Capital District water supply investigation, and the investigation into the building of the Pore Porena freeway in Port Moresby.

6 A former chief ombudsman commissioner listed the four most common forms of economic crime in Papua New Guinea as: the abuse of licensing regimes, the "hands in the till" syndrome, political corruption and vote buying, and kickbacks and other improprieties in the decision-making process for government contracts (Maino, 1994).

7 In March 1997 the Australian government was reportedly inquiring into heavy share trading in BCL shares that had occurred shortly before the media revealed the existence of the Sandline plan and before the PNG government announced its intention to buy back the mine. More than one million shares were apparently purchased. Australian media reports at the time speculated that the share trading might have involved senior members of the PNG government (*Post-Courier*, 10 March 1997, 35).

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Abstract

Papua New Guinea's Sandline affair provides the most dramatic illustration of militarization among the Pacific Island states. Although this was the first resort to mercenaries, there have been other examples of PNG governments hiring private military contractors for assistance in internal security matters. Recent years have seen an increasing reliance on militaristic solutions to crime and other forms of conflict. This trend is partly a response to the well-documented weaknesses of the police and defense forces. Political leaders have shown a marked preference for "tough," "quick-fix" solutions. Reliance on militaristic responses can, at one level, be viewed as a way of compensating for state weakness by relying on its ostensibly strongest aspect. At the same time, the militaristic orientation of government actions in this area cannot be separated from wider societal tolerance of violence as a strategy for resolving conflict. Militaristic solutions have not only failed to resolve problems of order but have often ended up aggravating them. They have also had a debilitating impact on many of the government agencies concerned. Ministerial autonomy allows senior political leaders to initiate and pursue militaristic schemes that have often been little more than vehicles for the advancement of the individual leader's electoral and other interests. Such initiatives in the area of internal security illustrate the reinforcing nexus between political patronage and the weakness of the PNG state.

KEYWORDS: leadership, militarization, Papua New Guinea, police, political patronage, Sandline affair, security